



## OFFICE OF MANAGEMENT AND BUDGET

### Request for Comments on Proposed Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis

**AGENCY:** Office of Management and Budget.

**ACTION:** Notice of availability and request for comments.

**SUMMARY:** The Office of Management and Budget (OMB) is requesting comments on proposed guidance for assessing changes in environmental and ecosystem services in benefit-cost analysis.

**DATES:** Comments are requested on the proposed Circular on or before [INSERT DATE 45 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** The proposed Guidance is available at <https://www.whitehouse.gov/wp-content/uploads/2023/08/DraftESGuidance.pdf>.

Please submit comments via <http://www.regulations.gov>, a Federal website that allows the public to find, review, and submit comments on documents that agencies have published in the **Federal Register** and that are open for comment. Simply type “OMB-2022-0016” in the search box, click “Search,” click the “Comment” button underneath “Request for Comments on Proposed Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis,” and follow the instructions for submitting comments. All comments received will be posted to <http://www.regulations.gov>, so commenters should not include information they do not wish to be posted (e.g., personal or confidential business information).

**FOR FURTHER INFORMATION CONTACT:** Office of Management and Budget, Office of Information and Regulatory Affairs, at [MBX.OMB.OIRA.ESGuidancePCQ@omb.eop.gov](mailto:MBX.OMB.OIRA.ESGuidancePCQ@omb.eop.gov).

#### SUPPLEMENTARY INFORMATION:

*Background:* In the process of designing appropriate regulations, agencies prepare regulatory impact analyses (RIAs) for certain rules—consistent with Office of Management and Budget (OMB) Circular A-4—that sometimes involve environmental and ecosystem services (collectively “ecosystem services”). Agencies also prepare benefit-cost analyses of public investments—consistent

with OMB Circular A-94—that can involve ecosystem services, which are all relevant contributions to human welfare from the environment or ecosystems. In order to encourage continued improvements in valuing changes to ecosystem services in benefit-cost analyses of regulations or public investments, OMB’s Office of Information and Regulatory Affairs (OIRA) is releasing proposed Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis (Guidance). OMB, in consultation with the Office of Science and Technology Policy as well as relevant agencies and Executive Office of the President components, has drafted and proposes this Guidance. OMB now invites public comment on this proposed Guidance and is simultaneously initiating a peer review process with respect to it.

OMB believes that the benefits of this proposed Guidance will be substantial. Many benefit-cost analyses involve ecosystem services, and standardized guidance on how to assess relevant changes and how to value such services will help promote consistency and predictability in these analyses. The Guidance also aims to make incorporating ecosystem-service considerations easier for agencies conducting these analyses, resulting in lower analytic burdens for agencies and more sound analysis. While there are costs associated with performing more robust analyses of ecosystem-service effects—as well as with drafting and transitioning to new guidance—OMB believes that the benefits of better analysis and better-informed public discourse resulting from this proposed Guidance are likely to well exceed those costs.

Some of the motivations for the proposed Guidance, and some considerations that OMB would like to highlight, are elaborated below. OMB requests comments on all aspects of the proposed Guidance. And OMB specifically requests comment on various aspects of the proposed Guidance as detailed later in this Notice.

*Origins of, and Reasons for, the Proposed Guidance:* To manage resources optimally, agencies should assess the full suite of important impacts their actions have on the nation’s natural assets, including benefits and costs to both the assets that an agency manages directly and to those managed by others, including, for example, other agencies; State, Tribal, Territorial, and local governments; and private resource managers. Interest in thoughtfully managing natural assets has a

long history in the United States, from the recent Executive Order (E.O.) 14072<sup>1</sup> to similar calls dating back well over a century.<sup>2</sup> This interest has resulted in a variety of agency efforts over the years to better analyze effects on natural assets and on the ecosystem services that they deliver.<sup>3</sup> These efforts are generally consistent with one another, but sometimes differ with respect to scope and focus, highlighting the need for government-wide guidance to help facilitate interagency consistency and coordination on ecosystem service analyses in the context of benefit-cost analysis. Given that certain agencies have developed their own ecosystem-service guidance documents—based on their own programs and statutory authorities—but others have not, a government-wide guidance will also help additional agencies develop their own expertise more quickly, so that they too can engage on ecosystem-service questions when relevant.

The importance of standardized guidance for ecosystem-service analyses is reflected in E.O. 14072, which calls for OMB to “issue guidance related to the valuation of ecosystem and environmental services and natural assets in Federal regulatory decision-making, consistent with the efforts to modernize regulatory review required by my Presidential Memorandum of January 20, 2021 (Modernizing Regulatory Review).”<sup>4</sup> That Presidential Memorandum, in turn, “reaffirms the basic principles set forth in” E.O. 12866 and E.O. 13563.<sup>5</sup> These longstanding principles include assessing environmental costs and benefits, including ecosystem service effects.<sup>6</sup> Since then, E.O. 14094 again emphasized a commitment to these principles.<sup>7</sup>

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<sup>1</sup> Executive Order No. 14072, *Strengthening the Nation’s Forests, Communities, and Local Economies*, 87 FR 24,851 (Apr. 27, 2022).

<sup>2</sup> See, e.g., Theodore Roosevelt, *Message to the Senate and House of Representatives* (Dec. 8, 1908), <https://history.state.gov/historicaldocuments/frus1908/message-of-the-president>.

<sup>3</sup> See, e.g., Env’t Prot. Agency, *Metrics for National and Regional Assessment of Aquatic, Marine, and Terrestrial Final Ecosystem Goods and Services* (2020), <https://nepis.epa.gov/Exe/ZyPDF.cgi/P1010Y7B.PDF?Dockey=P1010Y7B.PDF>; U.S. Forest Serv., *Integrating Ecosystem Services into National Forest Service Policy and Operations* (2017), <https://www.fs.usda.gov/research/treesearch/53358>; U.S. Army Corp of Engrs., *Using Information on Ecosystem Goods and Services in Corps Planning: An Examination on Authorities, Policies, Guidance, and Practices* (2013), [https://www.iwr.usace.army.mil/portals/70/docs/iwrreports/egs\\_policy\\_review\\_2013-r-07.pdf](https://www.iwr.usace.army.mil/portals/70/docs/iwrreports/egs_policy_review_2013-r-07.pdf).

<sup>4</sup> *Id.* § 4(b), 87 FR at 24,854.

<sup>5</sup> Memorandum of January 20, 2021, *Modernizing Regulatory Review* § 1, 86 FR 7223, 7223 (Jan. 26, 2021).

<sup>6</sup> Executive Order No. 12866, *Regulatory Planning and Review* § 1, 58 FR 51,735, 51,735 (Oct. 4, 1993) (“[I]n choosing among alternative regulatory approaches, agencies should select those approaches that maximize net benefits (including . . . environmental . . . advantages . . .), unless a statute requires another regulatory approach.”); Executive Order No. 13563, *Improving Regulation and Regulatory Review* § 1(b), 76 FR 3821, 3821 (Jan. 21, 2011) (reaffirming the same); see also Memorandum of January 20, 2021 § 2(a), 86 FR at 7223 (listing “environmental stewardship” as one of the values that the regulatory review process should promote).

<sup>7</sup> Executive Order No. 14094, *Modernizing Regulatory Review* § 1(a), 88 FR 21,879, 21,879 (Apr. 11, 2023).

The Presidential Memorandum and these executive orders all emphasize considering impacts on the environment when assessing benefits and costs, but they do not provide detailed direction to agencies regarding how they should incorporate ecosystem service impacts into benefit-cost analyses. Actions affecting a natural asset or an associated ecosystem service often interact with natural, built, and social systems to yield benefits, costs, and transfers. Agencies currently vary in how they consider these dynamics and how they define, analyze, and report the resulting impacts. The call for additional guidance regarding ecosystem services from E.O. 14072 section 4(b)<sup>8</sup> follows other, recent calls for similar guidance to address these questions.<sup>9</sup> The proposed Guidance seeks to clarify the existing guidance provided in Circulars A-4 and A-94, with the goal of yielding more predictable, robust, and consistent treatment of ecosystem services in benefit-cost analyses. Through harmonized guidance, it also aims to achieve: improved consistency and predictability in benefit-cost analyses that involve ecosystem services, lower burdens to incorporating ecosystem-service considerations into analyses, and better information to help guide agency decisions when ecosystem services are involved.

*Relationship with Other Guidance:* The proposed Guidance is intended to be fully consistent with—and a faithful application of—the principles and guidelines in Circulars A-4 and A-94. Much in the proposed Guidance cross-references applicable sections in Circular A-4—and, per a paragraph on page 1, analogous sections of Circular A-94<sup>10</sup>—to address certain analytical steps.

Many analytical steps that are important for assessing impacts on ecosystem services are covered within Circulars A-4 and A-94. Therefore, what this Guidance covers in the greatest depth is not necessarily what is most important for ecosystem-service analysis. For example, deciding on appropriate valuation methods—such as stated-preference or revealed-preference methods—is often a challenging step when valuing ecosystem services. To avoid duplication, this proposed Guidance generally directs readers to Circulars A-4 and A-94 on this topic, as valuation techniques are

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<sup>8</sup> Executive Order No. 14072 § 4(b), 87 FR at 24,854.

<sup>9</sup> See Shaun Donovan, Christina Goldfuss & John Holdren, *M-16-01: Incorporating Ecosystem Services into Federal Decision Making* (Oct. 7, 2015), [https://www.whitehouse.gov/wp-content/uploads/legacy\\_drupal\\_files/omb/memoranda/2016/m-16-01.pdf](https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-01.pdf).

<sup>10</sup> For example, where the proposed Guidance references the Circular A-4 section “Discount Rates,” readers performing analyses consistent with Circular A-94 should refer to the Circular A-94 section “Discount Rate Policy.”

discussed there. The proposed Guidance instead focuses on highlighting examples of such methodologies that may be applied to analyses of ecosystem services. Similarly, choosing a discount rate or analytical time horizon is important to valuing ecosystem services, but most pertinent considerations to make such decisions are in Circulars A-4 and A-94; the proposed Guidance devotes little space to discussing those topics, instead referencing those circulars.

As noted above, the proposed Guidance explains that it references sections in Circular A-4; agencies conducting analyses consistent with Circular A-94 instead of Circular A-4 should reference analogous sections within the applicable circular. OMB proposes this arrangement for brevity and to avoid undue repetition by avoiding references to two documents every time the proposed Guidance mentions one. OMB welcomes comment on whether that arrangement is sufficiently clear for practitioners preparing analyses consistent with Circular A-94. OMB also welcomes comment on opportunities for tailoring the proposed Guidance more carefully to the context of such analyses. For example, are there issues that are particularly relevant to valuing ecosystem services in the public-investment context that would benefit from additional detail in the proposed Guidance?

On April 6, 2023, OMB separately released proposed revisions to Circulars A-4 and A-94 and called for public comment on them. The proposed Guidance is intended to be consistent with current versions of those Circulars as well as the proposed updates to them. Stated differently, nothing in the proposed Guidance is meant to depend on any of the proposed changes to either Circular A-4 or Circular A-94. The proposed updates to both Circulars cross-reference the final version of this proposed Guidance for further guidance on valuing ecosystem services.

In addition to Circulars A-4 and A-94, as noted above and in the proposed Guidance, many agencies also have internal guidelines for analyzing ecosystem services. The proposed Guidance represents OMB's recommended best practices for such analyses in benefit-cost analysis and should be generally consistent with more specific agency guidance. Insofar as this Guidance, when finalized, conflicts with any internal guidance, agencies should consult with OMB. Moreover, agencies should always refer to their operative statutory authorities and, if their authorities are inconsistent with the proposed Guidance, should defer to the relevant statute.

*Requests for Comment:* While OMB invites comment on any aspect of the proposed Guidance, OMB specifically solicits comment on the following aspects:

- (1) whether addressing any further topics related to ecosystem services would be useful;
- (2) whether the material could be presented more clearly for affected public stakeholders, including how the proposed Guidance discusses its preference for monetization when feasible, and when not, then quantification when feasible, and when not, then qualitative description;
- (3) whether the discussion of especially difficult-to-quantify and difficult-to-monetize ecosystem services, such as cultural services and existence value, is appropriate and sufficient;
- (4) whether methodologies to quantify or describe ecosystem services that cannot be monetized are sufficiently described;
- (5) whether integration with and references to Circulars A-4 and A-94 efficiently cross-reference the relevant details in the related documents;
- (6) whether and how the proposed Guidance conflicts with other related guidance documents from OMB or agencies;
- (7) whether to refine guidance on potential double-counting of effects; and
- (8) whether to refine guidance on accounting for stocks versus flows.

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